Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Prepared by:
U.S. Embassy Brussels

Date: August 10, 1999
GAIN Report #BE8026

Market Brief - Product

Belgium-Luxembourg: The Market for Private Label Products in Belgium, the Netherlands & Luxembourg

BACKGROUND TO THE REGION

EUROPEAN UNION

Since its foundation, the EU has grown from its original six members to 15 member states. These are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, Italy, Portugal, Spain, Sweden, the Netherlands and the United Kingdom.

A major objective of the European Union is to create a single market. Harmonization of legislation is an important component of the single market. The legislation is made up of regulations and directives. Regulations must be adopted by each Member State while directives must be transposed into each member state's own national legislation. The harmonization of food legislation is not yet completed and this means that exporters into Europe always have to check their product formulation and labeling for compliance with national legislation in the member state they are considering exporting to. Also, when exporting to Europe you will have to realize that despite the cooperation within the European Union, the member countries remain very different, e.g. languages, ways of doing business, culture, taste, etc.

BENELUX

Belgium (capital: Brussels), the Netherlands (capital: Amsterdam) and Luxembourg (capital: Luxembourg city) are three independent European countries, situated in the northwestern part of Europe. All three countries are member states of the European Union and they have a superficial cooperation in the so- called Benelux. This Benelux may be seen as a predecessor of the European Community that was founded in 1957. The name Benelux is nowadays also often used as a geographic indication. The cooperation between Belgium and Luxembourg is somewhat deeper because these two countries have a monetary union. All three countries are monarchies with a parliamentary democracy. Belgium is a federation consisting of three parts: Flanders (Dutch speaking), Wallonia (French speaking) and the Brussels region.

Until the introduction of the Euro, the new currency for the European Union which is expected to be in place in 2002, the Benelux countries will use their own currencies: the Dutch Guilder, the Belgian Franc and the Luxembourg Franc. In this market brief the values as of January 15th , 1998 are used: 1 Hfl = 0.487 US $ and 1 Bfr / 1 LFr = 0.0263 US $.
The countries have a legal system of their own which is partly harmonized within the regulations of the European Union.

Europeans speak many different languages. The people in the Netherlands speak Dutch. Many Dutch also speak one or more other languages, e.g. English, German or French. Belgium has formally three official languages: In the North and West of the country (this part is called Flanders) Flemish is the mother tongue, a Dutch dialect. In the south and east people speak French. In the east there is a small part of the country where German is the official language. The Luxembourg population speaks a dialect which is a mixture of the two official languages in this small country: French and German. The Benelux is no homogeneous block, especially as regards cooking traditions, buying patterns etc. Success in the Netherlands is no guarantee for success in Belgium/Luxembourg, and vice versa.

BELGIUM AND LUXEMBOURG

Demographic Characteristics

The total population of Belgium is 10.2 mln persons. There are 331 Belgians per km2. Of the 4.2 mln households, 1.1 mln are single persons. This number is expected to grow due to population aging, children leaving the home earlier and increasing divorce levels. Average household size is 2.5 persons. The largest cities are Brussels (1 mln inhabitants), Antwerp (500,000) and Gent, Charleroi, Liege (all approximately 200,000). Brussels is also the capital of the European Union.
Luxembourg is a mini-state (Duchy) with about 500,000 inhabitants, most of whom live in and around Luxembourg City.

Economic Developments

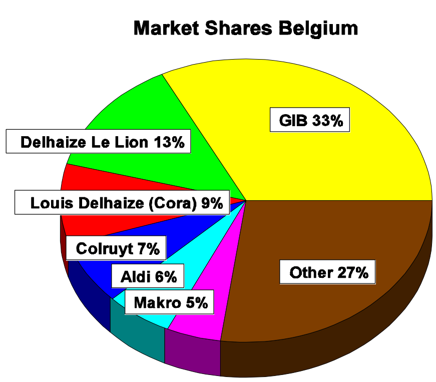
The Belgian economy grew 1.6% in 1996. However, disposable income actually decreased by 0.6%. Unemployment is a major problem, with 12% of the work force out of a job. Inflation is increasing slightly, now at around 2.1%.

The percentage of disposable income spent on food has continued to fall, from 23.7% in 1975 down to 16.3% in 1995. However, total foods expenditure grew by 29% between 1988 and 1995.

Belgian Retail Structure

Smaller retailers have declined drastically. (From 16,668 stores in 1980 down to 10,325 stores in 1996.)
Winners have been the large supermarket chains dominated by GIB (511 stores), Delhaize ‘Le Lion’ (243 stores), Louis Delhaize (833 stores) and Colruyt (132 stores).
The continued growth of discount stores, such as Aldi, has also been remarkable, with the growth of their share between 1980 and 1996 measured at 77% (source: Distributie Vandaag).

In **Luxembourg**, the most important retailers are Match (13 stores, 40% share) and Cactus (16 stores, 40% share). French retailer Auchan is developing a presence in Luxembourg.
French retailers, such as the very aggressive Intermarché, are expected to increase their presence strongly throughout Belgium and Luxembourg.



THE NETHERLANDS

Demographic Characteristics

The total population of the Netherlands is 15.5 mln persons. It is a country with a very high population density, 455 inhabitants per km2. The western part of the Netherlands with the cities of Amsterdam, Rotterdam, The Hague and Utrecht can be seen as one urban region.
The most important demographic trends in the Netherlands are:

* The population will grow steadily towards 17.6 mln in 2035
* Average household size is becoming smaller (43% 1 or 2 persons households)
* More elderly people (13% older than 65)
* Percentage of people with high level education (university/technical college) is growing (20% in 1980, 30% in 1996).

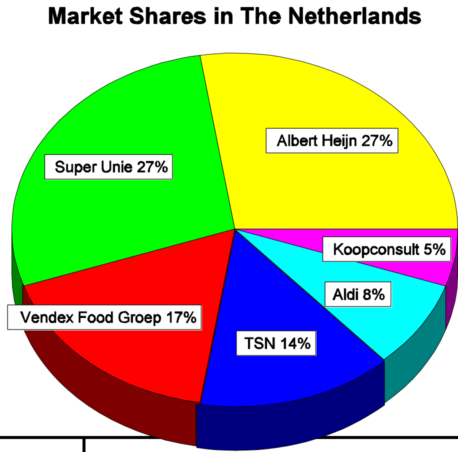
Economic Development

The Dutch economy is flourishing. The growth of national income has been 2.5 to 3% per year since 1994. Average buying power has been growing since 1991 at slightly less than 1% per year. Inflation has been at a level of approximately 2.5% since 1993. Private consumption grew in 1995 and 1996 by about 2%. Unemployment is decreasing so fast that there are emerging concerns that the economy may overheat.

In 1985 42% of consumer expenditure was spent via retail. In 1994 this had fallen to 36%. Nevertheless in the same period total sales in food grew from $ US 25.9 bln to $ US 30.3 bln.

Dutch Retail Structure

Holland has a high density of supermarkets with relatively small floor space. There are only a few hypermarkets or superstores. The Dutch supermarket sector is dominated by Albert Heijn (640 stores) with a market share of 27.2%. The Albert Heijn holding company, Ahold, also holds a majority stake in Schuitema n.v. After a period of concentration, 98% of the market is now in the hands of 6 major buying groups. However, members of these buying groups do retain some buying-decision making authority.



Super Unie		Vendex Food Groep		TSN	
De Boer/Unigro	10.9 %	Edah	8.1 %	C1000	8.5 %
Hermans	2.7 %	Basismarkt	1.3 %	Spar Schuitema	1.2 %
Other Super Unie	13.9 %	Konmar	2.7 %	Other Schuitema	0.8 %
Total Super Unie	**27.5 %**	Total Vendex	12.4 %	Total Schuitema	10.5 %
		Markant	3.6 %	Plusmarkt	2.6 %
		Total Radar Food	4.3 %	Total Sperwer	3.1 %
		Total Vendex Food	**16.7 %**	**Total TSN**	**13.6 %**

(Source: GFK)

DEVELOPMENT OF PRIVATE LABEL

Private Label business continues to **grow strongly** in both Belgium and the Netherlands (2.5% share growth in a period of three years). Retailers are even beginning to **innovate** under Private Label, where previously developments tended to follow as "me toos" of successful A-brands. However, there is still a **gap** between the Private Label share achieved by retailers in the UK (39%) and Switzerland (30%) and the **Benelux (20%)**. Furthermore, the price premium for the manufacturers brands in the UK is now only 10% whereas in the Benelux the level is approximately 15 - 20% premium for these brands over Private Label.
Conclusion: Private Label development will continue to grow in both a quantitative and qualitative sense in the Benelux market. Industry expert Laurens Sloot expects a 25% share by 2001. Growth is expected to stabilize out when a share of 30% has been achieved.

B-brands will be the victim of the trend towards Private Label, with more room for distinctive branded products. A-brands are therefore, paradoxically, also expected to grow.

Private Labels have succeeded because of the scale benefits afforded by increased retailer size due to the strong concentration of the trade in recent years. Secondly, in periods of recession, budget conscious consumers discovered both discounters and Private Labels as being value for money alternatives to their traditional buying patterns. Now that the economies are once again buoyant in the Benelux, consumers have not reverted.

Many **brand manufacturers** are faced with the difficult choice of whether or not to produce Private Labels. Opinions vary as to the wisdom of supplying major customers with a product likely to compete with the A-brand. Marketing and retail academics suggest that producing for retailers leads to a "Trojan Horse" effect, allowing the competitor into the fortress. Many manufacturers point out the opportunity to utilize spare capacity, improve category-management relationships with retailers, control quality differentials between brand and Private Label, and that retailers will always find a producing partner ("if you can't beat them, join them").

Two Benelux based food suppliers **only** offer **Private Labels**. Both are department stores with food departments. These are Marks & Spencer and the HEMA. The innovative Private Label approach of British based Marks & Spencer could be a model for many Benelux retailers. According to Laurens Sloot, many retailers are envious of the success of British supermarkets with Private Label, which is reflected in profit margins between 4.5% and 6%. Dutch retailers, for example, enjoy profit margins of only 0.5% to 1.5%.
Recent share growth for Private Label in the Benelux is mainly attributable to a breakthrough in **dairy Private Labels**. This previously protected area has, under pressure from the trade, led to a major category shake-up. Private Labels are sold for on average 10% lower prices than the A-brands.

Introduction "Delhaize 2" in Belgium

A major development in Belgium is the recent introduction of Delhaize 2. Almost all products offered are Private Labels. The stores are relatively small, 400m² , and reflect a move away from discounting by the Delhaize group, which is replacing the DIAL discount chain with these new stores. The first three have been opened but more will follow (20 in 1998/9). According to senior executive Michael Zajusz: "The customers apparently do not miss the A-brands in this store, and appreciate being left in peace to do their shopping." The shops avoid typical brand promotions and in-store displays to achieve this atmosphere. The emphasis is on convenience products, with a large number of the 3,500 stocked items in the area of pan-ready foods and ready meals.
In the Netherlands Private Label share differs widely per product group. Manufacturers of sauces have been very aggressive in innovation and marketing spends, leaving little room for Private Label development. In chilled foods and ready meals however, it is the Albert Heijn group which is leading the way with product innovation in Private Label.

Private Label Manufacturer Association

2,500 companies are affiliated with the Private Label Manufacturers Association. The association holds a trade fair every year in the RAI Exhibition Hall in Amsterdam. For more information: Tel:

+31 20 575 3032.

Major Retailers often carry two or more Private Label Concepts

An interesting aspect is that some retailers carry various Private Label brands to cover different market segments or have developed a strong sub-brand to take on a powerful A-brand in a specific product segment. A new phenomenon is co-branding with manufacturers!
Belgian retailer Colruyt has launched a series of innovative Private Labels with individual, rather than umbrella brands, reflecting a new generation of Private Labels designed to take on the A-brands head-on.

GB Case

* The requirements and aims of GB are rather typical, so we specify them as an example here.
* According to GB, the aim of the GB brand is to offer an optimal price-quality relationship to consumers. The target is to offer a similar product, but with a price discount of up to 30%. The level of discount depends on the competition and the product group.
* Growth in the future is expected especially in the non-foods segment.

GB Judging Suppliers

* GB quality manual must be applicable (i.e. HACCP). GB's own quality assurance inspectors will often audit firms.
* Environmentally responsible packaging processes.
* Product quality according to GB-briefing: similar to A-brand. Consumer testing may be a requirement.
* Competitive pricing to allow achievement of GB margin targets/consumer price targets.

Regional concepts also under GB Private Label

* Many tastes are not national, but local. In Belgium GB has launched, in the fall of 1997, a range of local specialties under the sub-brand "Land's Souvenirs". This range now runs alongside the successful "World's Souvenirs" concept in GB, with the GB label used as an understated umbrella brand.
* GB launches on average one new Private Label product per day! The Private Label range has now grown to 3,000 items. According to "Distributie Vandaag", more than 600 million GB Private Label items are bought per year.

International Private Labels

Euroshopper (available in Albert Heijn) represents a new trend in Private Label. This range has been organized with European partner organizations in the AMS international buying group. Another example of this trend is the **SPAR** Private Label, where the Amsterdam based BIGS organization is responsible for cross-border product introductions; for example, the SPAR American Cola label.

Discounters drive up Share of Private Labels

Aldi has been a strong performer in both Holland and Belgium. 85% of its range is made up of very inexpensive Private Labels. In some product areas (e.g. long shelf-life milk), it has even become the market leader. Lidl is now entering the Netherlands having opened 50 stores in Belgium, and further discount stores growth can be expected.

Food Law

Labeling Requirements

In general labeling must not be misleading. The following information must be on the label:

* the name of the product
* list of ingredients in descending order of weight
* net quantity in metric units (suggested, not required)
* the date of minimum shelf life
* special storage conditions or conditions of use
* the name of the "sender"
* instructions for use (if necessary for appropriate use)

Many manufacturers also provide nutritional values on their packaging. This is obligatory when a nutritional claim is used on the label.
There are specific, detailed regulations for all of the points made above. These regulations may differ from country to country within the EU and should be studied before finalizing packaging. All the above mentioned information must be given in the language or the languages of the region in which the product is to be sold. This means that in Belgium all packaging must be in both French and Flemish (Dutch).

Other Food law

Besides the labeling requirements, there are also regulations regarding inspection and sampling, food-additives, flavorings, pesticides and other contaminants, control and hygiene, radioactive contamination, products in contact with foodstuffs, provenance and origin and packaging and packaging waste. As mentioned before, these regulations are only partly harmonized within the EU. Most importers are well informed about these subjects.

Short List of Importers of U.S. Foods in Belgium

Bisschops Verachter Oudestraat 5	Mr. M. van Halder 9630 Aartselaar	Tel: +32 3 877 2260 Fax: +32 3 877 2367
Delby's N.V. Kontichsesteenweg 38	Mr. Ph. Lambert 9630 Aartselaar	Tel: +32 3 870 9740 Fax: +32 3 870 9741
Pietercil Resta Industrielaan 24	Mr. M. van Deun 1740 Ternat	Tel: +32 2 582 2958 Fax: +32 2 582 2963

Van Hove bvba Industriestraat 14	Mr. R. van Hove 2500 Lier	Tel: +32 3 480 6825 Fax: +32 3 480 6905
Zenobia Rue du grand Cortil 17	Mr. P. Cosse 1300 Wavre	Tel: +32 10 22 2394 Fax: +32 10 22 2394

Short List of Importers of U.S. Foods in The Netherlands

American Food Service bv Gageldijk 2	Mr. . Chin-A-Kwie 3602 AG Maarssen	Tel: +31 30 261 3604 Fax: +31 30 261 3624
Boas b.v. Postbus 340	Mr. Th. Van Ham 2700 AH Zoetermeer	Tel: +31 79 344 2600 Fax: +31 79 342 1722
Corny Bakers b.v. Gouwzeestraat 6	Mr. R. Kamerbeek 1382 KD Weesp	Tel: +31 294 41 7897 Fax: +31 294 41 1826
Felix Cohen b.v. Postbus 50	Mr. F. Bertens 4920 AB Made	Tel: +31 162 68 4120 Fax: +31 162 68 536
GranFood b.v. Postbus 19045	Mr. O. Brokke 2500 CA Den Haag	Tel: +31 70 381 5007 Fax: +31 70 385 0259
Pietercil Barends b.v Postbus 273	Mr. G.W. Rijsdijk 2700 AG Zoetermeer	Tel: +31 79 344 1100 Fax: +31 79 342 0831
Sunshine Food b.v. Vanadiumweg 15	Mr. Boerema 3812 PX Amersfoort	Tel: +31 33 465 9075 Fax: +31 33 465 1449

Tariff Regulations and Requirements for US Exporters

The EU common customs tariff classification, import duty, VAT (Value Added Tax) and import certificates are an important but complex area for export into Europe. Import companies and transport companies with customs declaration facilities can assist you. For all regulations the tariff classification by HS (Harmonized System)-code (6 digits) of products within the international Nomenclature is relevant. To determine the customs tariff for your product, please contact:

For The Netherlands:
Amsterdam Customs Office
Attn. Mr. J.H.F. Blom
Tel: +31 20 586 7511
Fax: +31 20 682 1741

For Belgium and Luxembourg:
Customs Office Ministry of Finance
Attn. Mr. J.P. Coudur
Tel: +32 2 210 3296
Fax: +32 2 210 3276

Further Information:

In Brussels (Belgium):
American Embassy, Office of Agricultural Affairs, Ms. Elza Peeters
Boulevard du Règentlaan 27,
B - 1000 Brussels
Tel: +32 2 508 2437
Fax: +32 2 280 1801

In The Hague (The Netherlands):
American Embassy, Office Agricultural Affairs, Ms. Laura Scandurra
Lange Voorhout 102
NL - 2514 EJ The Hague
Tel: +31 70 310 92 99
Fax: +31 70 365 76 81

This Market Brief was prepared in February 1998 by:
Eurolaunch b.v.
Mr. Wim Engels
P.O. Box 1045
NL - 3800 BA Amersfoort
The Netherlands
Tel: +31 33 469 9970
Fax: +31 33 469 9963
E-mail: eurolaunch@wxs.nl

The report was produced at the request of the Foreign Agricultural Service, U.S. Department of Agriculture. The material contained in this report has been derived from market research, trade interviews and desk research conducted by Eurolaunch. While Eurolaunch has made every effort to ensure the accuracy of the information in this report it cannot accept liability for any data therein nor any interpretation made therefrom. The selection of importers in this report is based upon questionaires and interviews. The most relevant criteria used were experience with US-partners and size of the company.